

Ref: AFL/BSE & NSE/2020-21/

24.08.2020

The Deputy General Manager  
BSE Limited  
1st Floor, New Trading Ring  
Rotunda Building, P.J. Towers  
Dalal Street, Mumbai – 400 001

The Listing Manager  
National Stock Exchange India Ltd.  
Exchange Plaza  
Bandra (East)  
Mumbai – 400 051.

**BSE Code: 512573**

**NSE Code: AVANTIFEED**

Dear Sir,

Sub: AVANTI FEEDS LIMITED – Schedule of Audio Conference Call for Investors on  
16<sup>th</sup> July, 2020 – Intimation - Reg.

Ref: Our letter dt: AFL/BSE & NSE/2020-21 dated 13.07.2020

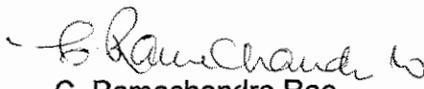
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Further to our letter cited, we enclose herewith the transcript of Audio Conference Call for Investors conducted on 16<sup>th</sup> July, 2020 in connection with Audited Financial Results for the Quarter and Year ended 31<sup>st</sup> March, 2020.

This is for your information and record.

Thanking you,

Yours faithfully,  
for Avanti Feeds Limited

  
C. Ramachandra Rao  
Joint Managing Director,  
Company Secretary & CFO



Encl: As above

## TRANSCRIPT

## Avanti Feeds Q4FY20 Results conference call

Event Date / Time : 16<sup>th</sup> July 2020, 16.30 HRS IST

Event Duration : 01 hr 09 mins 33 secs

*Presentation Session*

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**Bharati:** Good Evening Ladies and Gentlemen, I am Bharati moderator for the conference call. Welcome to the Avanti Feeds Limited Q4FY20 post results discussion conference call hosted by K FinTechnologies Private Limited (KFinTech). At this moment, all participants are in listen only mode. Later we will conduct a question and answer session. At that time, if you have a question please press star and one on your telephone keypad. Please note this conference is recorded. I would now like to handover the floor to Mr. Sherwin Fernandes from K-Fin Technologies over to you sir.

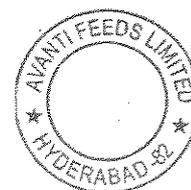
**Mr. Sherwin Fernandes:** Thank you Bharati. Firstly, apologies for the delay in the start of the call. Good evening to everyone present on this call on behalf Avanti Feeds Limited and KFinTech we would like to convey our good wishes and trust you and your loved ones are doing well in this challenging time. The call will begin with the management remarks on the quarter followed by a Q&A. We have with us from the management Mr. C Ramachandra Rao Joint Managing Director, Mr. A. Venkat Sanjeev, Executive Director, Mr. Alluri Nikhilesh Chowdary, Executive Director Avanti Frozen Foods Private Limited, Mr. M Venkateswara Rao GM Corporate Affairs and Ms. Lakshmi Sharma CS, Avanti Frozen Food Private Limited. I now hand the call over to management. Thank you and over to you sir.

**Mr. C Ramachandra Rao:** Thank you Mr. Sherwin.

Good Evening Ladies and Gentlemen, Apologies for the delay of about half an hour in starting our meeting as we were all held up in another meeting. We extend a warm welcome to you for this Investor Conference Call today, to review the un-audited financial results of Q4 FY 2019-20 and Audited Financial results for FY20. Along with me here, are Mr. A.Venkat Sanjeev, Executive Director, Mr. Nikhilesh Chowdary, Executive Director, Avanti Frozen Foods Pvt Ltd., and Mr. M.V. Rao – G.M - Corporate Affairs and other Finance And Accounting team members.

The Results of Q4 FY 2019-20 and FY 20 are already with you for some time now and we are sure that you would have already gone through them.

Here are some of the key indicators from the financial results of our Company during Q4 FY 2019 – 20 and FY 20.



## **CONSOLIDATED FINANCIAL RESULTS FOR Q4FY20 AND FY20:**

### **(A) Q4FY20 RESULTS**

The comparative performance of Q4 FY20 with that of Q4 FY19 and Q3 FY20 have been given in the presentation already circulated to you. I deal with Q4FY20 results. Gross Income in Q4 FY20 is Rs. 1046.43 crores as compared to Rs.942.29 crores in Q3 FY 20 an increase of Rs.104.14 crores at 11.05% & Rs.877.15 Crores in Q4 FY 19 an increase of Rs.169.28 at 19.3% when compared with Q4 FY 20. The PBT is Rs.126 crores in Q4 FY20 as compared to Rs.73.05 Crores in Q3FY20 an increase by 72% & Rs.102.54 crores in Q4 FY19 an increase by 22.88%. Increase in PBT when compared with previous quarter is on account of Increase in Sale price and decrease in Raw Material Cost.

The impact of COVID-19 is not significant on the financial performance of the Company Q4FY 20 and FY20 as the COVID-19 lockdown. The lock down and the post down would not really disrupt on financial results.

### **(B) ANNUAL RESULTS –FY20**

It is heartening to see that the performance improved significantly in 2019 compared to 2018. As you know the industry suffered a setback in 2018 and quick recovery in 2019 is a positive development.

The gross income for the FY20 is Rs.4185.53 crores as compared to Rs.3541.61 crores in FY 19 registering a growth of 18.18%. PBT in FY 20 is Rs.484.86 crores as compared to Rs.428.05 crores in FY 19, an increase of Rs.56.81crores. The PBT decreased to 11.58% on gross income from 12.09% of the previous period mainly due to increase in RM prices in both feed & processing business. The PAT in FY20 is Rs.386.29 crores as compared to Rs.306.62 crores in FY19, registering an increase of Rs.79.67 crores. The PAT increased to 9.23% from 8.65% on gross income which is mainly due to opting for reduced tax under new Tax Ordinance in AFL.

## **STANDALONE RESULTS OF FEED AND PROCESSING DIVISIONS**

### **A. FEED FINANCIAL RESULTS:**

#### **(1) Q4FY20 RESULTS**

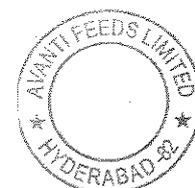
The gross income for the Q4FY20 is Rs.778.13 crores as compared to Rs.675.50 crores in the corresponding quarter of Q4FY19, registering a growth of Rs.102.63 crores at 15.19%. The PBT for the Q4 FY20 is Rs.95.93 crores as compared to Rs.80.39 crores in the corresponding quarter of Q4 FY19 an increase of Rs.15.54 crores at 19.33%.

#### **(2) ANNUAL RESULTS –FY20**

The gross income for the FY20 is Rs.3223.19 crores as compared to Rs.2783.01 crores in the corresponding year, registering a growth of Rs.440.18 crores at 15.82%. The PBT for the FY20 increased to Rs.376.37 crores as compared to Rs.335.67 crores in the FY19, with an increase of Rs.40.7 Crores at 12.13%. The PAT in FY20 increased to Rs.285.98 Crores when compared with Rs.223.49 crores in FY19 an increase of Rs.62.49 crores at 27.96%.

### **B. SHRIMP PROCESSING FINANCIAL RESULTS:**

#### **(1) Q4FY20 RESULTS**



The gross income for the Q4FY20 is Rs.273.44 crores as compared to Rs.201.54 crores in the corresponding quarter of Q4FY19, registering a growth of Rs.71.90 Crores at 35.68%. The PBT for the Q4 FY20 is Rs.29.95 crores as compared to Rs.22.23 crores in the corresponding quarter of Q4 FY19 an increase of Rs.7.72 crores at 34.73%.

## **(2) ANNUAL RESULTS –FY20**

The gross income during the FY20 grew to Rs.966.33 crores from Rs.762.08 crores in FY19 registering an increase of Rs.204.25 crores at 26.80%. The PBT in FY20 is Rs.107.67 crores as compared to Rs.91.73 crores in FY19 with an increase of Rs.15.94 crores at 17.38%. The PAT in FY 20 increased to Rs.99.50 Crores when compared with Rs.82.47 crores in FY19 an increase of Rs.17.03 crores at 20.65%.

## **C. IMPLEMENTATION OF SHRIMP HATCHERY**

Long awaited and much delayed hatchery with 200 MN seed capacity has been completed and is ready to start, awaiting certain statutory clearances to commence commercial operations. It is expected to commence production by end of September 2020.

## **INDUSTRY OVER VIEW – FUTURE FORECAST:**

Before venturing into future forecast of the industry, it is necessary to take stock of present situation of Shrimp Culture industry and Global Shrimp demand trends.

As the industry was breathing a sigh of relief in 2019 after a serious setback in 2018, the COVID-19 broke out as a pandemic posing a big challenge to the humanity. The Corona Virus which unfolded in a big way during second half of 2019 in China spread like a wild fire almost the entire world with India being no exception. The COVID-19 broke out in India during February 2020 leading to imposition of country wide lockdown from 24<sup>th</sup> March, 2020 bringing all the activities to a standstill.

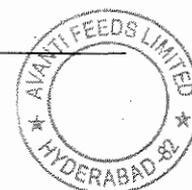
As an initial reaction to the pandemic, the shrimp culture stocking slowed down during April and May 2020, apprehending a fall in export prices and export market. As you know the Q1 i.e. Apr-May-Jun 20 are the months during which stocking takes place intensively and the production levels are forecasted depending on the stockings and extent of culture area which missed in Q1 of FY21. There was also shortage of Shrimp seed from hatcheries as the normal operations of hatcheries were affected by lockdown. However, things improved gradually with the farmers gaining confidence due to more or less stable farm gate prices and resumed stocking and the shrimp culture is in progress now.

The shrimp production in India has registered a growth of about 10% - 12% at 8.00 Lakhs Tons in 2019 as compared to 6.85 tons in 2018.

Shrimp feed consumption has registered a growth of about 10% at 11,50,000 tons in 2019 compared to 10,20,000 Tons in 2018.

In view of COVID-19 impact, the Global demand and production is expected to come down by about 10% to 15% in FY21 compared to FY20.

Basing on the present shrimp culture situation in India, there may not be significant, more than 10% to 15%, down fall in shrimp production in the country during FY21, provided the impact of COVID-19 will not have severe negative impact on export market of shrimps from India.



### **FEED CONSUMPTION IN INDIA DURING FY20-21:**

In view of the anticipated drop in shrimp consumption globally by about 15% to 20%, correspondingly Shrimp Production is likely to come down and Shrimp Feed Consumption in India during 2021 is expected to be around 10 lakh MT as compared to 11.50 lakh MT in 2019.

However, the Company sales are expected to be maintained at the same level. As you know, Avanti has not only been keeping its farmer base intact, it is also adding new farmers and new areas to its sales network year after year. During FY21 the Company is also expecting to maintain its market share of 46% to 48%.

### **SHRIMP PROCESSING & EXPORT:**

Shrimp production and exports from India in 2019, was around 8.00 Lakh tons and is expected to be around 7.25 lakh tons in 2020.

As far as the company is concerned during FY20, 13397 tons of processed shrimps were exported as compared to 11065 tons during the corresponding period of FY19, registering an increase of 2332 Tons with a growth of 21.07%.

The growth is mainly due to continued focus on export of Value added products and also exploring opportunities in new markets.

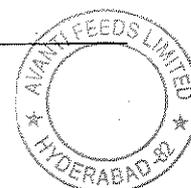
### **GOVERNMENT'S SUPPORT:**

The Government's Policy of "Economic Revolution through Blue Revolution" has given shape to the scheme " Pradhan Mantri Matsya Sampada Yojana" (PMMSY) for fisheries in May'20 with an investment of over Rs.20,000 Crores in next 5years. This scheme aims at increasing fish and shrimp production in India at an annual growth rate of 9% from 137.58Lakh MT in 2018 -19 to 220 Lakh MT by 2024-25. Hopefully, if this scheme is implemented in right earnest, it will go a long way in the growth of Seafood Industry. I think with this background now we will take questions from the investors.

**Bharati:** Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press star and one on your telephone keypad for wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing star and one again. First question comes from Nitin Gosar from Investco Mutual Fund. Please go ahead sir.

**Nitin Gosar:** Hi, thanks for this opportunity. I have two questions from my side. I wanted to understand you commented that in feed business India or domestic market is likely to see a 10% drop and we will not see any impact on sales, if you could elaborate a bit on, you know, farm economics or just the backdrop of what is resulting into 10% drop on domestic level on the sector basis and second question is pertaining to demand supply environment in international market for processing products. How is that shaping up between the two industries that is retail and restaurant, if you can throw some light on.

**Mr C Ramachandra Rao:** Yeah, see, as far as the feed consumption is concerned, we expect that the first six months of which we have compared to the corresponding six months of the period the last year its about 15 to 20% drop is there and that is from January to June of 2019 to 2020. So based on that we expect that since the stockings have started now in the



May-June and the April, May, June subsequently, we expect that the culture will pick up in this quarter July, August, September further and in overall it may not be possible to really make whatever we have lost in the first six months, but nevertheless we will be able to make up to great extent in the second half, our estimation is that this is about 10% drop is likely to be there in the shrimp feed consumption in the country and you saw the estimate as we made. Of course, that corresponds to the general consumption and now I think Mr. Nikhilesh will explain to you how the global situation of the shrimp processing and export is.

**Nikhilesh Chowdary:** Good afternoon, so generally the market has been very turbulent over the last six months that because there is a lot of chain of events that have been triggered with COVID-19 among the restaurants have been closed and they have been reopened eventually, but again I think earlier this month California has shut these restaurants again in the US market which is a major market. The same thing in China, the demand has become low because of second wave rumor of the virus, but overall it's a very turbulent time for I think one months its few weeks of slow and few weeks again people are realizing that the product has been moving and then they are putting in orders, so as of now we are looking at it from week to week or day to day. Overall, if you combine and take an average it's still being stable, the prices have remained stable or moving upwards similar to all the other proteins that are sold in the market.

**Nitin Gosar:** Okay and any guess work on retail, restaurant how and how retail is doing today?

**Nikhilesh Chowdary :** So the main area of service would be food service which is your restaurant chains and your basketball games and associated activities that is the bigger market, but this year retail has played a role for the protein sales, but again like it has been on and off, retail was very strong at the beginning of the year and once the restaurants open and the takeaways open, the food service picked up again and like I was saying earlier, the restaurants approached again, so it's very hard to give a breakup now, but a good representation would be about 50% to 60% retail and the remaining would be food service.

**Nitin Gosar:** This is as of today or this was like pre COVID-19, the split?

**Nikhilesh Chowdary:** As of today. Usually before it's about 60% to 70% is your food service and the remaining is retail.

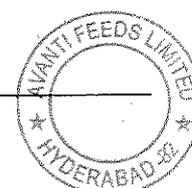
**Nitin Gosar:** Oh, so it has more or less reversed.

**Nikhilesh Chowdary:** Because the restaurants are closed.

**Nitin Gosar:** Yeah, yeah. Thank you, this was helpful.

**Bharati:** Thank you sir. Ladies and Gentlemen, if you have a question, please press star and one on your telephone keypad and participants are kindly requested to restrict with one question in the initial round. Next question comes from Deepesh Kashyap from Equirus Securities. Please go ahead.

**Deepesh Kashyap:** Yeah, hi sir. Thank you for taking my question. Rao sir I just wanted some update on the feed part, so is there still a pressure from farmer's authorities to roll back the prices or that is solved?



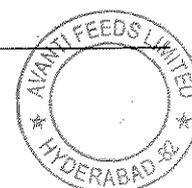
**Mr C Ramachandra Rao:** Yeah, see, actually this has a base of what is happening in the state of Andhra Pradesh that the State Government wanted to monitor particularly the shrimp culture activity and fisheries area. In that context, they have brought recently an Act called AP Aquaculture Authority, the Act which is similar in the nature of central legislation of Coastal Aquaculture Authority. By this Act they want to monitor all the activities right from the hatchery, farming, and feed processing everything. So, in that context the issue came out and some of the farmers represented to the Government that the feed prices because of the COVID-19 situation there is a lot of stress on them, so they wanted the price of the feed should be reduced. So, we had series of discussions with the Government and you may remember that we had increased our feed prices by Rs.4.80 ps per Kg in February, January end, practically it started from February-March. Considering the farmers' situation now because of this COVID-19, so we agreed to reduce Re.1/- with effect from today. Practically it will start from today and this is all the feed manufacturers both shrimp feed as well as the fish feeds manufacturers have decided to reduce the price, but as far as the shrimp feed price is concerned all the manufacturers have decided to Re.1/- reduction in the feed price from today that is going to be across the board.

**Deepesh Kashyap:** So that is now 67 rupees per kg, right? That is the average now after reduction?

**Mr C Ramachandra Rao:** Mr. Deepesh see as you know that we had given it is about Rs.12/- is the total cost of production of which we have passed on Rs.4.80 ps to the farmers, but, some sort of relief for this year is that compared to the last year the prices of the raw materials mainly soybean and wheat flour are more stable because the good news is that the current year the food grains have come and also reproduction, the soybean production is likely to be very good because the sowing has been completed unlike last year when the rains did not come on time, but this year the food rains have started in time and all sowing has been completed so that we are expecting that the price this year will be more competitive, we will be able to have a stable price without much fluctuations during the year and compared to last year definitely there is price, this is more stable now and fish meal prices are also more or less stable, but fish meal because of its ban now till end of August there is a little upward trend here now and we hope that once the ban is lifted, that will also come down. Overall, what to be foreseen is that whatever that quantity that we have decreased should be able to covered by the reduction in the raw material production by reduction in the price away inputs. That's what we are anticipating, but it is too early because soya crop and all it will come sometime in October, September-October and we will have to see, but as of now it looks like that. There may not be much impact on the profitability.

**Deepesh Kashyap:** Understood. Sir now you talked about the PMMSY scheme now that is very encouraging and we have been talking about entering a new fish feed segment and given our cash position have we decided anything how to take advantage of this opportunity?

**Mr. C Ramachandra Rao:** It has not yet really come to material shape Mr. Deepesh. Because the Government has announced as a part of so many other measures that they have taken for facing the COVID-19 and MSMEs and all, so we expect that it should give a good encouragement to the farmers lot of infrastructure facilities are going to be given and the modalities have not yet come because this rooting of this investment comes from NABARD or any other banks or how they rotate and what are going to be the procedure, how they are going to do it, but definitely we are hoping that it will come very soon. Once they announce modalities of investment I think we will be able to share more information about that, but as of



now it only looks to be very attractive for the farmers to start with lot of financial support for infrastructure that's very good and also having their promising Cold Chains etc. for that. I think all these things will definitely go a long way for stabilizing this industry and particularly have a sustainable growth.

**Deepesh Kashyap:** Understood. Sir like one question for Nikhilesh also. So Nikhilesh, so recently there was a Chinese news article that there was a COVID-19 case on one of the shipments from Ecuador, so I just want to understand how bad that development is and is there any stoppage that Chinese government is doing on Indian exports also?

**Nikhilesh Chowdary:** So right now I think, the first the Chinese government, I mean if you have read the full article, if you go down virus was not present in the product or on the product, but it was more on the packaging and also I think earlier today US-FDA gave a relief saying that earlier today or yesterday, trust, they are saying that it's not possible for the virus to be present on the packaging especially after on transit for at least a week, so we are not sure, how credible the news is at the moment. There are people looking into it, but as of now there is no adverse impact on the product. There is no concerns that are being raised.

**Deepesh Kashyap:** Okay and also Nikhilesh we have already reached 60% utilization processing capacity now or given the 13000 tons that you have done last year, so how do you plan to scale up this business going forward, do you plan to add the capacity this year or next.

**Nikhilesh Chowdary:** So initially this year we plan to expand the processing utilization further, but unfortunately today with the whole COVID-19 situation there is a lot of disruption in the supply chain especially when it comes to like a main requirement is manpower and the virus affecting human beings like we are trying to control the workers' entry for the factory any communities that have been reporting cases we are stopping them temporarily till things have settled down in the vicinity, so those are the practices that are happening in the factory to avoid any outbreak to primary importance for us is to make sure that our staff and workers are safe and healthy. So, that is the main impact on main constraint to increase the processing capacity and utilization this year, but we are putting efforts and once the things calm down I think we will be able to quickly increase the capacity.

**Deepesh Kashyap:** Okay understood, thank you and all the best.

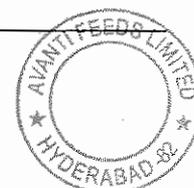
**Bharati:** Thank you sir. Next question comes from Vivek Mundra from Jetage Securities. Please go ahead.

**Vivek Mundra:** Hello...

**Bharati:** Please go ahead sir.

**Vivek Mundra:** Hello, yeah so I had a question regarding your raw material procurement basis. If you could please elaborate on like do you procure material at the start of period or is it staggered procurement over the year?

**Mr C Ramachandra Rao:** It is generally we procure over the year, but only in case of some other products when the prices are tend to go up or there is a shortage of production what we do is we as a matter of policy the local, the domestically available material 15 days to 30 days we keep, for example, we try to only a 15-day stock whereas in the case of soybean meal we



may take one month, but in case when there is new crop coming up the prices are very competitive and there is a demand for this particular product for our production purpose we increase by another 15 days crop, so we buy at that state only in that period, but rest of the year, as and when it is required as per the production requirement.

**Vivek Mundra:** Okay. That's helpful. Thank you and one more last thing your receivables, how are they coming like are you receiving payments from the customers on a regular basis or has the receivable days gone up out there.

**Mr. C Ramachandra Rao:** So we are receiving the, receivables are most of our, 98% of our sales only as on the basis of advance payment. We get before the dispatch we get. 90-95% we get, only about 4 to 5% where we have collateral security and we extend, but even that also that will come within 15 to 20 days. We don't take more than that 5% also.

**Vivek Mundra:** Okay. And sir one last thing can you like help with anywhere that we can track the prices of raw materials for our understanding better like any website or any place where you can help us with that or yeah.

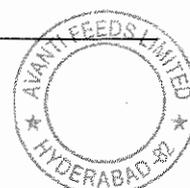
**Mr. C Ramachandra Rao:** See you know, website if you look at that the prices of, you know, more major raw materials is there are soybean meal, Wheat Flour and Fish meal all the three prices see what they have given is different and what we have, the quality is the most important thing, the protein content in the fish meal or protein content in the soybean meal and what type of soybean meal we require? There are three to four types of soybean meal. The prices differ depending upon the quality of the raw material even in the case of wheat again other conditions like gluten content and all, all these things we see and we select we have a vendors list. Before we qualify the vendor, before empaneling them in our vendor list so naturally our prices and what is given in the websites are different and the sourcing is available in anything to website who are all the major sellers are in the website. If you take fish meal you find a lot of companies about 30-40 companies you will find in India and soya you can find 100 companies selling soybean meal. In wheat flour 100s, not been 10, 20s, 100s you will find for wheat flour.

**Vivek Mundra:** Okay. Okay. Thank you, sir, that's it from my side. Thank you.

**Bharati:** Thank you sir. Next question comes from Varun Goenka from Nippon Mutual fund. Please go ahead.

**Varun Goenka:** Yes, good evening sir and thank you for the opportunity. I think some of the questions have already been answered just three or four basic things. One, what is the scalability of our processing side of the business? May be the current capacity utilization, what are our capacity plans here and what is the scalability of this side? Secondly, now we have accumulated significant cash on balance sheet, you know, beyond any probable Capex need, may be our maximum Capex might be Rs.100 crores or may be Rs.200 crores almost, so how are we looking at really utilizing this cash towards either growth or a payout or in any other way?

**Nikhilesh Chowdary :** So on the first question on the processing side with scalability, I think there is a great opportunity to scale up our production and sales as well. I think over the past, if you look at our performance over the last four years or five years, we have been continuously building the business and we had interesting plans to scale up our production



utilization this year. I think we can easily move up to about 85-90% our utilization in the next two years. We were actually planning by next year we could go up to the full utilization, but this current setback has slowed down our plans, but certainly not then and once, so that's on the scalability or in terms of production. In terms of sales and our product receptions that now we have received very good comments from all our customers we have been increasing same customers sale in almost to all accounts and we think that if we can keep up the quality and also the consistency, we can further scale up our business and add in more accounts. We are looking, we are still more concentrated on the US market, so once there is still opportunity in the other markets in terms of marketing, so I think there is a good opportunity, I mean even looking at one of the largest sea food exporters from Vietnam which is Ming Fu they do about 700-750 million dollars and are amongst the largest seafood exporters in the world, so if we look at that just as an apple to apple comparison there is a lot more space to grow. Yeah coming to the, you know, the

**Varun Goenka:** So the Vietnam business that you are referring to what is the size of that business, the processing size?

**Nikhilesh Chowdary:** No, no it's not, it's not,, I was just comparing, a comparable player in Vietnam who is one of the largest exporters just to show that there is a lot of room for expansion within our business.

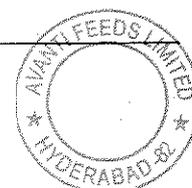
**Varun Goenka:** Ok so lot of room could you give us a sense because this business is very labor intensive, so realistically would you say can the business when it goes to full utilization in two years from there let's say can it double in four years, three years, five years based on the matrix of the business?

**Nikhilesh Chowdary:** Based on today's situation like if you ask me pre-COVID-19, I could probably give you everything, you know, just put it on a paper, but today like when all of us are just reevaluating what is the situation, see how long it will get back to normalcy that would actually if that picture painted out well then we can actually like look at the other things also. Right?

**Varun Goenka:** No, so COVID-19 or no COVID-19 I would believe this is staple for US or any other country, so is there any change in stans in that this is not something that US can grow it or can have the capability to insource that?

**Nikhilesh Chowdary:** So they won't be, they are not capable of definitely growing it because the climate and everything is not suitable as much it is suitable in India, but I am talking about the demand, like that things go like this, there are already a lot of restaurant chains that are declaring bankruptcy, right? So all of these are impact to the supply chain so we need to see how things restart, whether the people can start going out for protein consumption that's a very important factor to see. So if things get back to normal very quickly everything can be done very quickly.

**Mr C Ramachandra Rao:** So I can add to what Mr Nikhilesh said that as far as the company is concerned we are ready with all our infrastructure and our capacity to immediately scale up our production capacities very fast and coming to the one question, I mean one suggestion you were saying regarding the labor intensive industry, here we are also looking at the mechanization of some of the processes in that area also, but because of this COVID-19 situation and all, we have slowed down on that we had previously working on that, and also



simultaneously the global demand stabilizes and starts the production being food products, definitely it is going to be a promising in future. So, we are confident that the value added products we can still increase with all whatever the infrastructure capability to scale up and also the mechanization and we are very confident of it in future. But at this point of time as you rightly said that the situation is not conducive for many big planning at this point of time and coming to the other question which you raised with the cash reserve, yes you are right it will have a significant cash reserves and I think we have been discussing this in several last meetings conference calls, the Management very seriously that considering the investment options that they have, but at the same time want to have a secured investment as the interest of the investors is affected that is very the fundamental principal of the company to protect the investor and before, we will have to see that what is our core strength and what is the way we can really take the investment decision and which industry that we want to go. Like we have been working on this for quite some time what may be a more than two three years we have been working on that, but still we have not been able to find a suitable investment opportunity which will satisfy or fulfill our requirements such as, one is safety of the investment and second we should get at least a reasonable return compared to the company and the third one is the growth of the value of investors investment, these are the three basic principles which we are looking and we are working on several options. But as you know, at this point of time things are looking very very uncertain, where you take any industry you take it is slow, you know, some solution insight for the improvement and as you know the global economy itself downside and degrowth is expected in the next couple of years. so, with this I think we will have to wait and whatever the returns that we are taking on whatever the mutual funds or whatever the investments we are making, we are able to take around 6% to 7% post tax returns I think that should be, I mean for the time being that should be a satisfying factor without losing our principal that is what we feel at the management level.

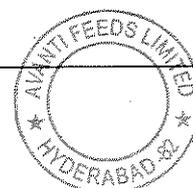
**Varun Goenka:** Sure, sure. Right sir, thank you. Just a final point I wanted to clarify, we have dominant market share in the feed side, may be 55 odd percent are you seeing any decreasing comparative intensity, any major player may be going out of the market or something like that? change in the feed industry.

**Mr C Ramachandra Rao:** No, no, we are not seeing anything like that, but still the dominant factor in determining the market share is the quality and the service that we render which has been our, you know, USP. Two important things that is one the quality of the feed and the performance getting a good FCR and also the continuous service to the farmers and also the farmers loyalty to the product. These are the basic things which we have been maintaining consistently and not compromising on this. There are several manufactures, something like around 27 or 28 feed manufactures are there in the country today, but in spite of that we have been able to maintain our position only because of our quality on these three issues.

**Varun Goenka:** Right, right. Thank you so much sir,

**Bharati:** Thank you sir. Next question comes from Aniruddha Joshi from ICICI Securities. Please go ahead.

**Aniruddha Joshi:** Yeah. Thanks, thanks for the opportunity. So sir I just wanted to understand, what would be horeca segment as percent of our sales in USA, also this we had discussed long back that is there any plan to do the forward integration that is basically roll out own brand in US market so that the company becomes say a relatively immune to all these



issues once the brand is developed so the consumer connect becomes stronger, any view on that front?

**Nikhilesh Chowdary:** So the first question sir, so normally we don't have any fixed contract for the whole year, the contracts are more short term. So it usually when you say the Horeca we would normally term it as a food service sector so that would range from anywhere from about 40% to 60% depending on like the market situation in the sector. But now generally especially at the beginning of the year, the restaurant chains were closed, some of the restaurant chains begun to start closing and there was a larger footfall of consumes in the retail segment, so our retail sales have increased because of higher demand in that segment, but would normalize to the same of 60% retail, 40% food service or 50% of each, once things get back to normal. So that is the first question. The second question about the branding of the shrimp. As of now we are primarily OEM manufacturer, the characterization of a new brand in the US is very hard because the retailer itself they have their own brand. When you introduce your brand into the food service segment it's more of a push sales and a demand sale so we have not evaluated it yet, but we are, we have thought about it we will introduce our own brand to some of our consumers and the food service segment both in Japan and in the US and European markets, but the scope of growth of such a brand is not very high. Thanks.

**Aniruddha Joshi:** Okay. Yeah, in terms of the margin wise now we are doing some sales in China too, so is the margin in China comparable with margin in USA? Or means basically if the sales to other countries like China etc. increase will it be a same margin or it will dilute the margin?

**Nikhilesh Chowdary:** It depends on what the product that we are exporting to the Chinese market buys commodity products, so definitely the margin is relatively lower. There are some customers, very few customers in the Chinese market who import value added product which is more comparable to the pricing in the US market, but the general sale of bulk of it at least I would say 85% to 95% of it is commodity product to China. The US it's more value added product so the realization and also the net realization per kg is higher.

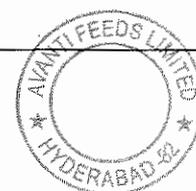
**Aniruddha Joshi:** Okay. Sir roughly what would be difference in realization?

**Nikhilesh Chowdary :** because it's a very fast growing market, highest demand for shrimp is from China market today.

**Aniruddha Joshi:** Okay. Okay. Do you see significantly the revenues share shifting by two-three years towards China?

**Nikhilesh Chowdary :** If you check the growth component, they are definitely over the last three years the Chinese imports have grown exponentially, but we need to see right now like this year also at the beginning of the year there was strong demand from the Chinese market which has calmed down now, so we need to see going forward, but analysis and projection have definitely shown that it is going to be a major seafood player in the future.

**Aniruddha Joshi :** Sir, means indicatively, can you indicate what was the margin difference in FY20 itself in China versus USA sales or may be a realization difference that you can say, so let's say there is a 5% difference, 2% difference, what would be the indicatively per kg or per ton difference in the realization?



**Nikhilesh Chowdary :** It's difficult to put it that way, but we can definitely take a look at it because we need to look at apple to apple because the sales that we do to China we don't usually the same product type is not sold to the US. So, it's a variation in the product, but we can get that there, the margin like, I mean it's not the same product that we sell in both the markets.

**Aniruddha Joshi:** Okay. Okay, sir last question. Have you faced any issues due to the labor migrations?

**Nikhilesh Chowdary :** Definitely sir, we did face certain problems during the labor migration, the lot of workers when they back home, when the lockdown was lifted we did find a temporary shortage of migrant workers at that time, but things are normalized since. But as a company we are being very very careful on who are the workers recruited, which location do they come from, so there is a lot of background check being taken for the safety of the other workers in the campus. So, that is the situation today.

**Aniruddha Joshi:** So is there any major inflation due to labor migration or you have not seen any such sharp increase in costs?

**Nikhilesh Chowdary :** There are not sharp increase in costs, but there are definitely higher expenditure in terms of the sanitization and the social distancing, the number of people that are coming in our office, buses or anything or like how they are working standardizing some of the lines to make sure that we use lower manpower, so those are some things that we are doing, but this is not, I would not just say that there is higher inflation, the more safety measures are being taken than the higher cost per day.

**Mr C Ramachandra Rao:** I may add to what Mr.Nikhilesh said that because of the low turnout of the labor, the production also has come down, the overhead expenditure is, will go up, that way I think, there is a burden on the end product, the fixed expenses absorption is less compared to when the production is more, I think to that extent, you will have a financial impact on the product with variable and fixed expenses. And rightly said, there is not much of cost inflation as such.

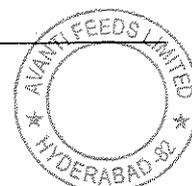
**Aniruddha Joshi:** Okay, okay, so basically due to higher fixed costs, there can be pressure on the EBITDA margins in FY21. Means, is it a fair assumption?

**Nikhilesh Chowdary :** Could be, yes.

**Aniruddha Joshi:** Okay, sure, Thank you.

**Bharati:** Thank you, sir. Ladies and gentlemen, if you have a question, please press star and 1 on your telephone keypad. And participants are kindly requested to restrict with one question in the initial round. Next question comes from Nitin Awasthi from East India Securities. Please go ahead.

**Nitin Awasthi:** Hello sir, thank you for the opportunity. Just wanted to understand your thoughts on the recent issue with the whole Ecuador saying so relative issue was just pointed out earlier that it is not clear that even if the packaging had the virus or not, but what is factually known as of now is that China has taken stringent action against Ecuador. So there must be some discussion at a company level where you would have thought what if these restrictions are taken against India, what could be the implications? Do you have any thoughts on that?



**Nikhilesh Chowdary:** Thank you Nitin, so first of all, from China the companies that have been banned or put suspended, have detected a positive, positive for coronavirus on the packaging, not on the product. So that's the reason that these factories were suspended, so coming to India, as of now, the Chinese Government is continuously testing all the shipments that are coming in, all types of meats or proteins they are checking for similar instances, up till now none of the shipments have been detected, positive for corona virus in the packaging or the product. But on the long term, this is something beyond our control from what I have understood, the US FDA has said that there is no, possibility of corona virus being transmitted or transported on frozen product is very, very minimal or there is no chance as well. Because the product itself is in transit for more than a week, fourteen days. So, there are a lot of challenges being put to what the Chinese have said on the detection of the virus. So, we need to see how it goes forward. Internally as a company, first precaution that we are taking is that there is no chance of any person or the virus being detected in the factory is no. We have given all the required sanitation Personal Protective Equipment and everything, so we feel that the chance of such an occurrence to happen is very minimal, but as a country whole they take a decision, I don't think anything is likely to happen in that nature, but if something happens on the country where we will need to watch how the policy changes.

**Nitin Awasthi:** Okay, and just one clarification on the comment made where you said that, Mr. Rao said that one rupee deduction was taken on the feed segment, so was the one rupee taken on the, as a manufacturer, so as what you receive as a manufacturer, what you receive as your P & L, one rupee deduction in that or one rupee in the whole MRP of the product? So somewhere do the resolution.

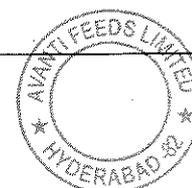
**Mr C Ramachandra Rao:** Yeah, what we have reduced is the manufacturer's cost.

**Nitin Awasthi:** Got it, sir. Thank you so much for the clarification.

**Bharati:** Thank you, sir. Next question comes from Ashish Thakker from MOSL. Please go ahead.

**Ashish Thakker:** Yeah, thanks for the opportunity. Nikhilesh, May, June and July are the peak months for our shipment on the processing side of the business but given the fact that now, you know, Thanksgiving is also coming up in the US, and these resurfacing of the virus issues, how do you see the response from the distributors? Are there any active talks which are going on between the distributors and you, as to how the shipments will be done and also obviously on the demand- supply scenario?

**Nikhilesh:** Definitely, sir. We have a discussion with all or at least most of our customers on a weekly basis, so we do understand and also try to adapt to the change in demand and supply situation. As of now, from what I understand, the sales in the US, especially in the retail segments have been really good coupled with a lower production capacities of all the factories around the world, because everyone is facing the same problem of COVID-19 and people are trying to maintain more social distancing in the factory and avoiding taking workers and employees from affected areas. The production capacities have, like, slightly reduced all over. So, there is a lower production output coming from factory, so there is any lower demand because of the close of restaurants and everything I feel it is being balanced very well between multiple markets. Earlier this year we had strong demand from Chinese, Asian markets, not Chinese alone, but Asian market, the US also a few established, reliable and consistent supplier, there has been strong demand for your product as well since most of this reliability has been established over a period of two decades or so, so when the customer sees that oh, I cannot travel to India, he would rather select a reliable



supplier instead. So, overall, I think, demand has been stable, if you are well setup, you have a good product, good application, I think there is no problem for especially, our product.

**Ashish Thakker:** Yeah, There is one last question. So, in terms of whatever we might be budgeting for the US geography, what is the target that we are trying to achieve here? In the full year of FY21, can we meet 70-80% of our targeted or budgeted sales?

**Nikhilesh Chowdary :** For this year?

**Ashish Thakker:** Yeah.

**Nikhilesh Chowdary:** Yeah for 70 to 80% of target, I think we should be able to meet 70 to 80%, yes.

**Ashish Thakker:** Okay, fair enough. Thanks, Nikhilesh and all the best.

**Bharati:** Thank you, sir. Next question comes from Manoj Garg from White Oak Capital. Please go ahead.

**Manoj Garg:** Yeah. So very good afternoon and thanks for giving this opportunity. Mr. Rao, like in terms of outlook you have commented are about 10% kind of degrowth, was this outlook for calendar year 20 or you are talking about fiscal year 21?

**Mr C Ramachandra Rao:** The voice is breaking

**Manoj Garg:** Yeah so, can you hear me now? Can you hear me now?

**Mr C Ramachandra Rao:** Yeah, it's better now.

**Manoj Garg:** Yeah, so the outlook which you shared in your prepared remarks about 10% degrowth, was it outlook for fiscal year 21 or calendar year 20?

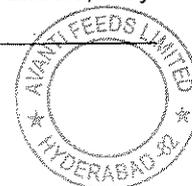
**Mr C Ramachandra Rao:** See, the feed consumption I said that there will be, in the country there will be down by about 10-12% of which we are expecting only 5-6% down, that's what I told, as far as the feed is concerned.

**Manoj Garg:** Right. And that is for calendar year 20, right?

**Mr. C Ramachandra Rao:** Yeah it is, no we are taking the calendar year, you are right, the calendar year 2020. Yes.

**Manoj Garg:** So, I am a bit surprised because given the fact that there was no stocking which happened in the month of April and May, given the lockdown and all, you know, there was a delay in the onset of sowing in June, July, August, I think we were earlier expecting a very good, you know, steady activity in the quarter 2, so whatever the challenge we are seeing today, is it more because of the, you know, is it more because of the demand side issues given that, you know, some of the markets have been closed down, as the infection has resurfaced or is it more because of, I would say, the supply side issues right now?

**Mr. C Ramachandra Rao:** We explained that the shrimp culture in the country in the first half of this year is down compared to the corresponding six months of the last year, the previous year, because of the COVID-19 impact and lockdown. So because, the seed was not available because the hatcheries were actually, they were not working to full capacity, and there was a shortage seed, why did they stop, I mean, why did they slow down because the farmers hesitated to stock early in March, April, they postponed it because of this COVID-19 situation, they wanted to wait and watch how the things develop, only in the latter part of April, May beginning they started asking for the seed, but at that time it was not really available, they



had to import the brood- stock and produce the seed and supply it. So, it took time. They took almost like June. So naturally, the stocking also got delayed. So, the impact of this is felt in the first quarter, that is April- May- June. That's what I told in my earlier response.

**Manoj Garg:** Okay, sorry. Probably I might have missed it, sir. And the second question, I think now the Government of India has now notified in terms of export incentive and MEIS and what we have learnt that from the news team that there will be 2% lower incentive than what it used to be in the past. So, would just like to understand that who is going to, give this 2% and of course it is like that they are going to pass a part of that to the farmer or we have to this entire 2%

**Mr C Ramachandra Rao:** Incentive?

**Manoj Garg:** Export incentive?

**Mr C Ramachandra Rao:** Yeah, it is actually, the company has to take it. The company has to take it, but we are working towards, you know, reinstating the MEIS. We hope that, there was problem in the initial stages now it has been sorted out.

**Manoj Garg:** So is it that it's

**Mr C Ramachandra Rao:** That is we are trying to reinstate the 5 to 7 again.

**Manoj Garg:** So, my understanding is that incentives are going to be, are the incentive is going to be more or less same sir or it could be lesser than you used to get in the past.

**Mr C Ramachandra Rao:** I did not get, your voice is breaking.

**Manoj Garg:** Okay sir.

**Mr C Ramachandra Rao:** Earlier, we were getting 7%, now we are getting 5%.

**Manoj Garg:** Yeah, so there will be a 2% impact which will happen now because of lower incentive right?

**Mr C Ramachandra Rao:** No, I didn't get it.

**Manoj Garg:** No worry, sir, there is some issue. I will rejoin, sir. Thank you very much.

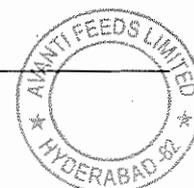
**Bharati:** Thank you, sir. Next question comes from Ayush Mittal from Mittal Analytics. Please go ahead.

**Ayush Mittal:** Sir, first of all, congratulations on a good performance in Q4, especially on the growth on the feed side. Sir, in continuation to the previous participant was asking about the export incentive reduction on the processing side. Can you share more details about that? How much is the reduction on the export incentive?

**Mr C Ramachandra Rao:** 2% is the reduction.

**Ayush Mittal:** 2%. 2% so basically, we were getting almost, along with MEIS and duty drawback, I think the processing industry was getting 9% incentive which is now down to 7%, is that right?

**Mr C Ramachandra Rao:** Yeah, I think my colleague will explain to you how it is.



**Muthyam Reddy:** Earlier we were getting MEIS 7% and Duty Drawback, 2.7%, now MEIS has been revised to 5% and has been increased to 3%. Now we are getting total incentive 8% as against 9% earlier.

**Ayush Mittal:** Okay, yeah. That is really helpful. And sir, in the balance sheet this year, we have seen increase in inventory while as you explained that the season we will see a drop in Q1 in the farming activity of the farmers, so but there has been a substantial increase in inventory, any comments from your side?

**Mr C Ramachandra Rao:** See, your standalone or feed or question is on processing?

**Ayush Mittal:** Sir, it is the overall number that I am seeing on the balance sheet.

**Muthyam Reddy:** Okay it must be only standalone, the standalone the inventory is because normally, what we do in the month of March as the season starts, we keep the raw material stock, particularly, you know, in the February month we have lot of wheat flour wheat product coming out, so the wheat crop comes in the month of February but normally we stock for April, May and June. See this year also we started, we start procuring raw materials right from January. Because in April, May, June, as you know, that is the peak consumption period, so we keep these stocks of inventories, raw materials, as on 31<sup>st</sup> March it is, it will be this year also we expected there will be good production in sales in April, May, June. So, to keep the stocks ready, we procured in the month of February and March. That's how it is, but immediately it gets consumed in the subsequent period.

**Ayush Mittal:** Okay. And sir, in continuation to what you were sharing that the farmers had panicked and there was a drop in farming activity in May, April and May, but we are still expecting the year to be broadly okay for the industry, so are we expecting growth to happen in Q2 or maybe from Q2 and Q3 onwards, in the industry?

**Mr.C.Ramachandra Rao:** So it means that, because when we have lost about 15% to 20% in first half year, second half year that is made up to some extent. It may not be full 15-20% definitely about 10%, we expect that it will be made up. So overall, there will be decrease of about 10%, this is what we are anticipating.

**Ayush Mittal:** Okay, thank you, sir.

**Bharati:** Thank you, sir. Next question comes from Jignesh Kamani from GMO. Please go ahead, sir.

**Jignesh Kamani:** Sir, you mentioned about brood- stock issue in the first quarter. How is the current scenario of the brood-stock and is it sufficient to take care of the may be around 10% growth in the second half in the plantation side?

**Mr. C.Ramachandra Rao:** Yes, our hatchery is ready, and it will start off in September.

**Jignesh Kamani:** I am thinking about industry, so industry faced issue in the brood-stock in first half, so right now, enough brood-stock is available to take care of 10% growth in plantation.

**Mr. C.Ramachandra Rao:** Yeah, it is available now. Because the moment the farmers started buying seed, the hatcheries imported brood-stock and now the seed is available. Only for April, May when the initial stages there was. Now it is available.

**Jignesh Kamani:** And how is the farmer sentiment? They are ready to increase the production in the second half?



**Mr. C.Ramachandra Rao:** And the farmer sentiment is very good, very encouraging, because there is no, it is stable, the farming prices are stable and in fact as Nikhilesh said it is only on the upper side, it is moving up. So naturally they are very confident and the culture, we are expecting that it will be in full scale now. Only thing is, because we have lost more than six months in this year, so may not be a growth but definitely small maybe 5 to 10 % down in the rest of the half year.

**Jignesh Kamani:** Thanks a lot.

**Bharati:** Thank you, sir. Ladies and gentlemen, due to time constraint, that will be the last question for the day. Now I hand over the floor to Mr. Sherwin Fernandes for closing comments. Over to you, sir.

**Sherwin Fernandes:** Thank you to the entire team of Avanti Feeds Limited for giving us the opportunity to host the call. And I would also like to thank the investors and all the participants for their time. Thank you.

**Mr. C.Ramachandra Rao:** Thank you.

**Bharati:** Thank you, sir. Ladies and gentlemen, this concludes your conference call for the day. Thank you for your participation. And for using Door Sabha conference call service. You may all disconnect your lines now. Thank you and have a pleasant evening.

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**Note:**

- 1.This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.

